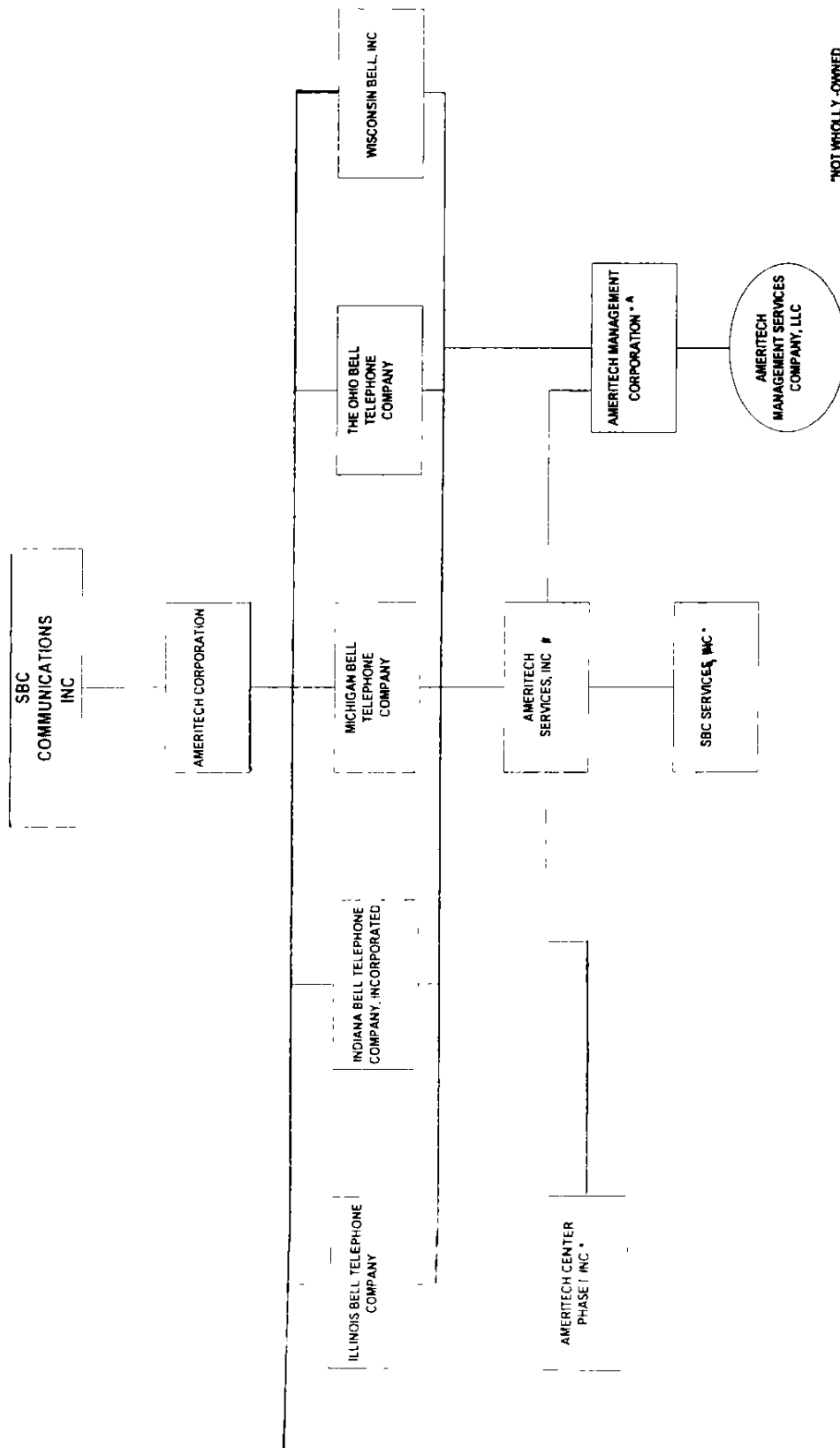
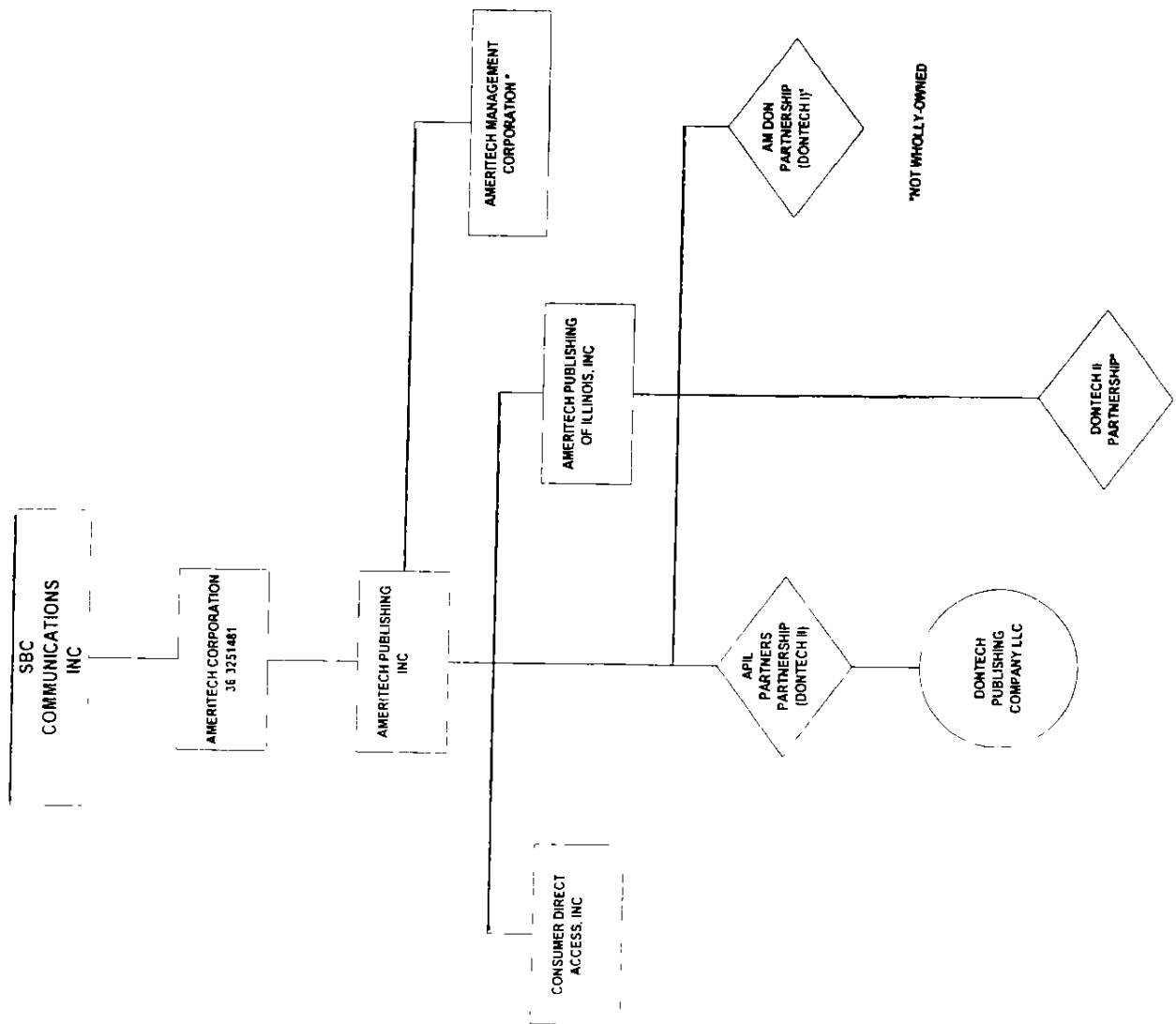
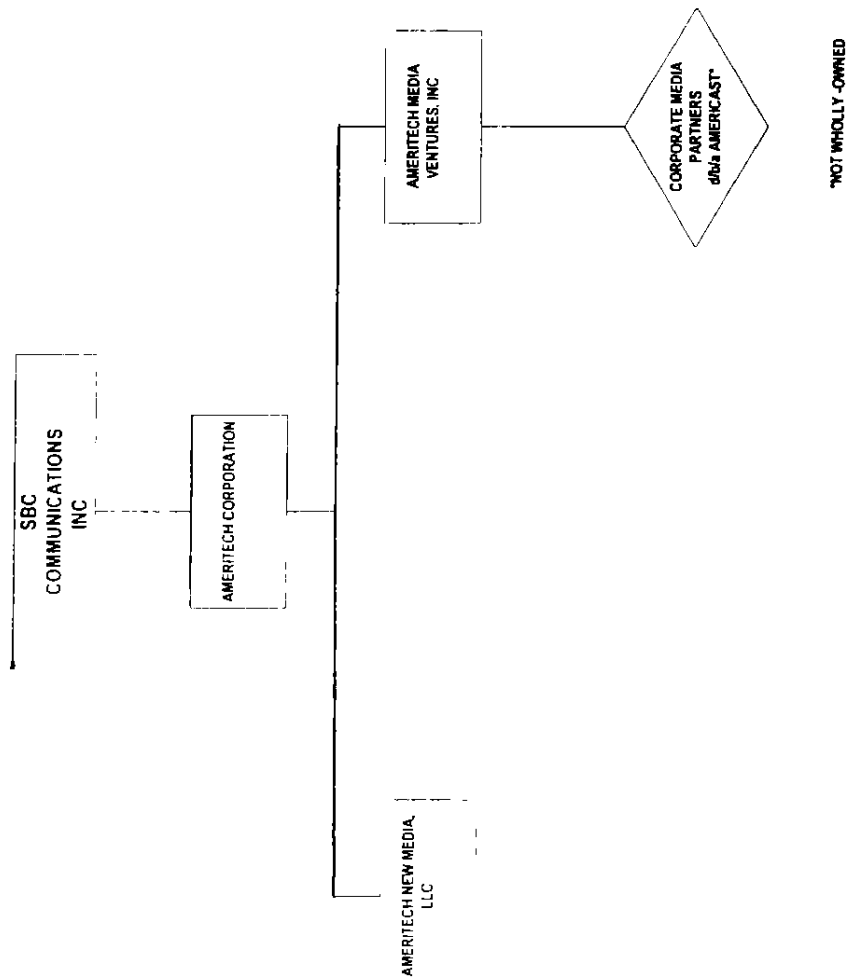
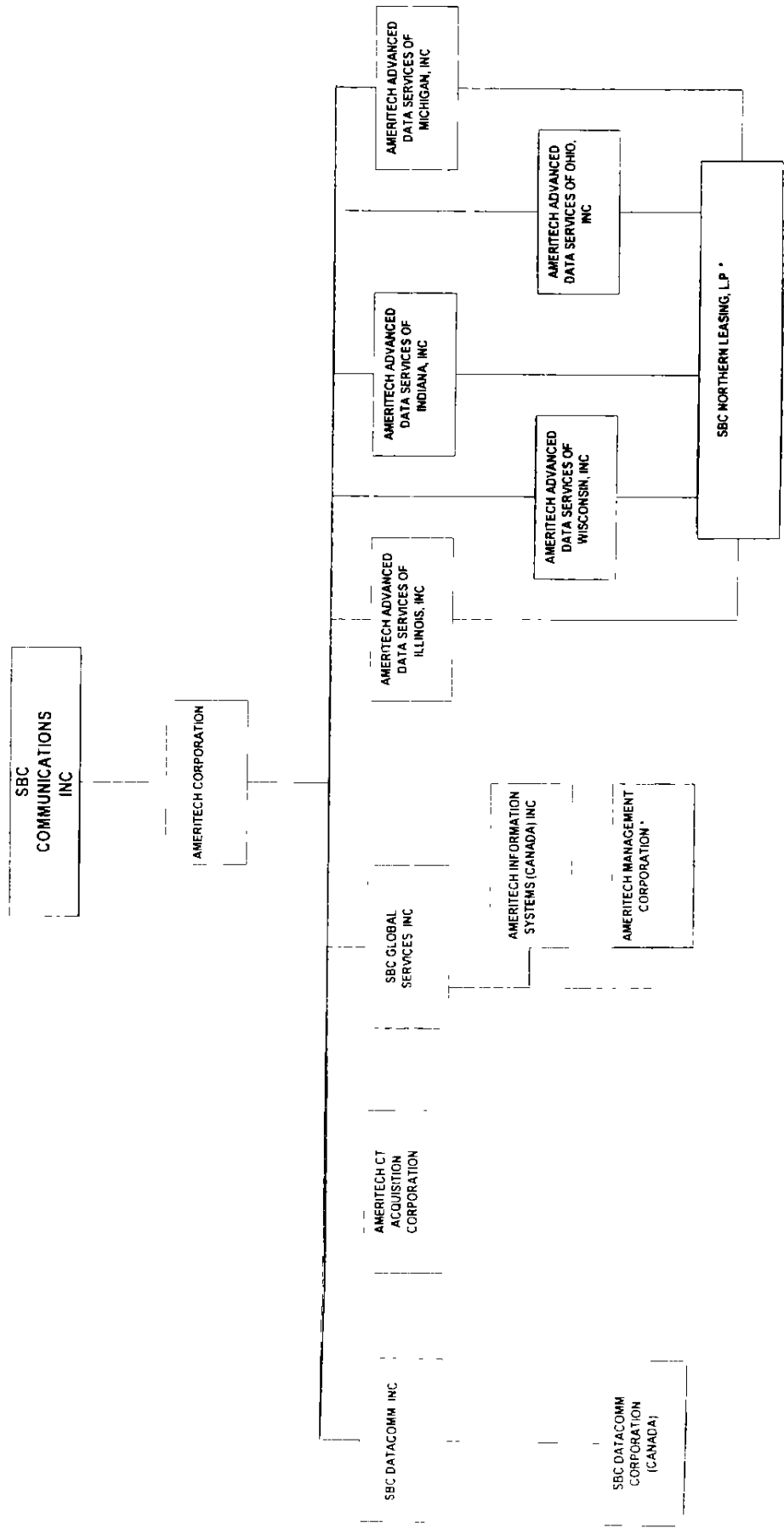


\*NOT WHOLLY-OWNED

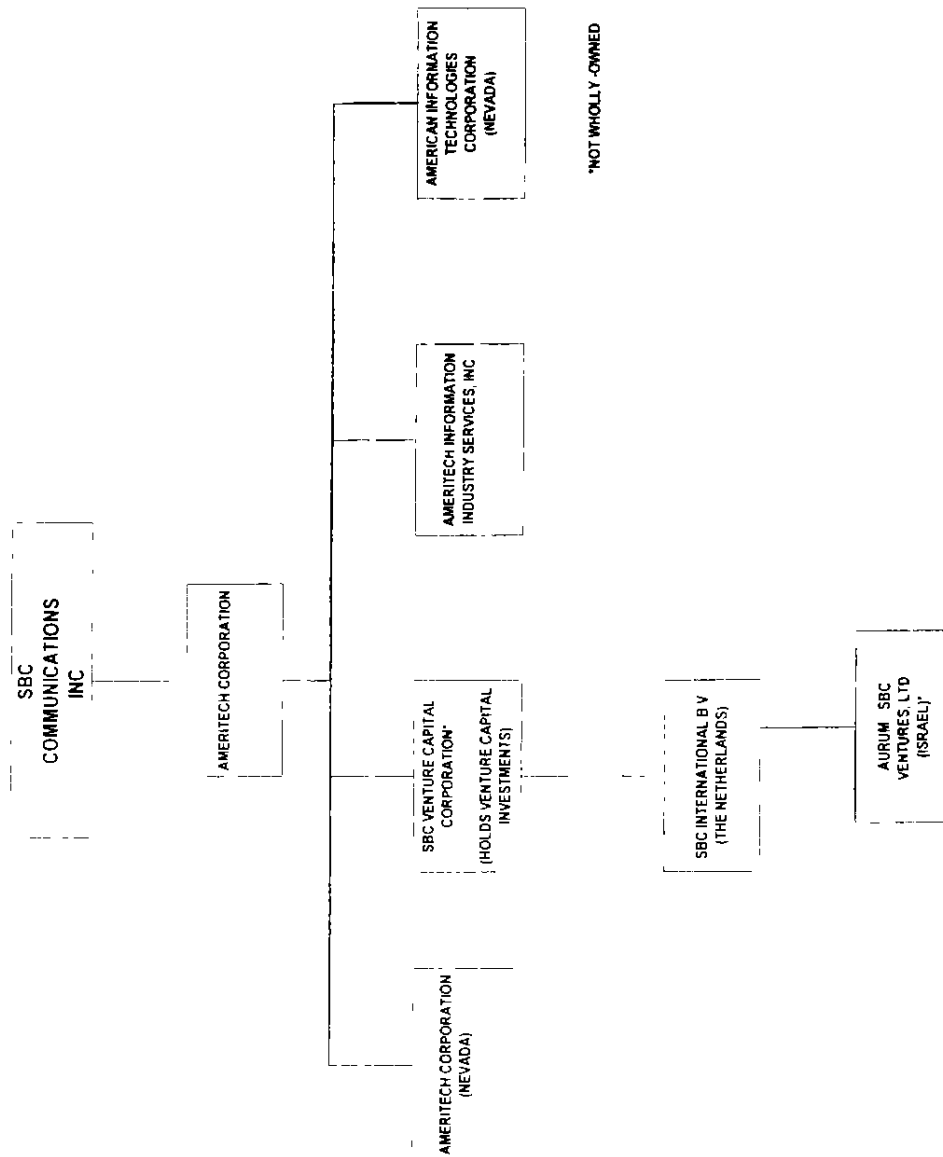




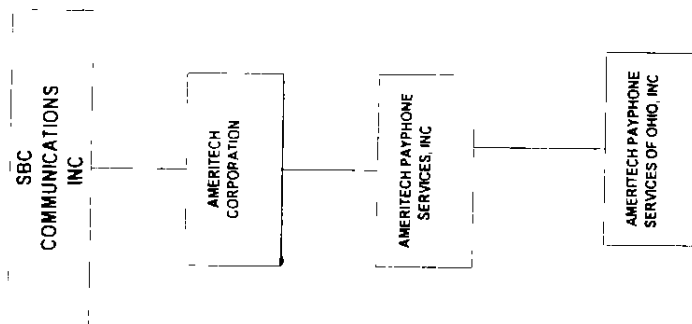




\* NOT WHOLLY OWNED



\*NOT WHOLLY OWNED







The Southern New England Telephone Company  
Cost Allocation Manual

SECTION V

TRANSACTIONS WITH AFFILIATES

## TRANSACTIONS WITH AFFILIATES

### INTRODUCTION

This Section identifies and describes services provided as well as assets transferred between the Company and its nonregulated affiliates.

The Company and its corporate affiliates will comply with the Commission's affiliate transaction rules as outlined in the Uniform System of Accounts, Part 32 of the Commission's Rules and Regulations, as modified.

The Company uses the provisions of the following guidelines established in RAO 26, released May 6, 1998 and modified in the Phase 2 Report and Order in the 2000 Biennial Regulatory Review released November 5, 2001 in conducting all affiliate transactions.

#### A. GENERAL DEFINITIONS

The following definitions are used throughout this Section to describe the terms of affiliate transactions:

"tariffed rates" - rates provided pursuant to documents filed with state or federal regulatory agencies.

"publicly-filed agreements/statements of generally available terms" - charges appearing in publicly-filed agreements submitted to a State commission pursuant to Section 252(e) or statements of generally available terms pursuant to section 252(f) in place of tariffed rates when tariffed rates are not available.

"prevailing price" - the price at which a company offers an asset or service to the general public. In order to qualify for prevailing price valuation, sales of a particular asset or service to third parties must encompass greater than 25 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset basis, rather than on a product line or service line basis.

"fair market value" - the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts

A. GENERAL DEFINITIONS (cont'd)

"net book cost" - the original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.).

Fully Distributed Cost - cost determined in a manner that complies with the standards and procedures for the apportionment of special, joint, and common costs between the regulated and nonregulated operations of the carrier. A fully distributed costing methodology apportions the total costs of a group of services or products—including the authorized interstate rate of return--among the individual services in that group. In general, this process directly assigns some of the costs to individual services or products. The remaining costs are allocated among individual services or products based on relative use measurement or estimates of relative use. The resulting cost apportionments determine the share of total cost that is attributed to each service or product.

B. VALUATION METHODS FOR THE SALE OR TRANSFER OF ASSETS:

"tariffed rate" – is to be used when assets are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

"prevailing price" – is to be used when non-tariffed assets are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular asset must encompass greater than 25% of the total quantity of such product sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset basis, rather than on a product line basis.

"higher of fair market value and net book cost" – is to be used as a floor for all other assets sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV (fair market value) or NBC (net book cost) next to each asset listed.

B. VALUATION METHODS FOR THE SALE OR TRANSFER OF ASSETS:  
(cont'd)

“lower of fair market value and net book cost” – is to be used as a ceiling for all other assets purchased by or transferred to the carrier from its affiliates, except the first \$500,000 of asset transfers on a product-by-product basis, per year, per affiliate, may be recorded at net book cost. For each asset listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV (fair market value) or NBC (net book cost) next to each asset listed.

In accordance with Part 32.27 (b), assets transferred between the Company and its affiliates are valued as follows. Assets transferred from the Company to its affiliates will be recorded at tariff rate or prevailing price, if applicable.

Otherwise, the higher of fair market value or Telco's net book cost will be used as a floor for recording on Telco's books, except that the first \$500,000 of assets on a product-by-product basis, per year, per affiliate, may be recorded at net book cost.

Assets transferred from an affiliate to the Company will be recorded on the Company's books at tariff rate or prevailing price, if applicable. Where no prevailing price has been established, the lower of fair market value or the affiliate's net book cost will be used as a ceiling for recording on Telco's books, except that the first \$500,000 of assets on a product-by-product basis, per year, per affiliate, may be recorded at net book cost

C. VALUATION METHODS FOR THE PROVISION OF SERVICES:

“tariffed rate” – is to be used when services are sold or transferred between a carrier and its affiliates pursuant to existing tariffs, including a tariff filed with a state commission.

“rate pursuant to a publicly-filed agreement” rate – is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates pursuant to publicly filed agreements submitted to state commissions pursuant to section 252(e) of the Communications Act of 1934, as amended, or statements of generally available terms pursuant to section 252(f).

“prevailing price” – is to be used when non-tariffed services are sold or transferred between a carrier and its affiliates that qualify for prevailing price. To qualify for prevailing price, the sale of a particular service must encompass greater than 25% of the total quantity of such product sold by an entity. Carriers shall apply this 25 percent threshold on a service-by-service basis, rather than on a service line basis.

“higher of fair market value and fully distributed cost” – is to be used as a floor for all other services sold by or transferred from the carrier to its affiliates, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate may be recorded at fully distributed cost. For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or FDC (fully distributed cost) next to each service listed.

“lower of fair market value and fully distributed cost” – is to be used as a ceiling for all other services purchased by or transferred to the carrier from its affiliates, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost. (For services that are received by a carrier from its affiliates that exist solely to provide services to members of the corporate family, those services shall be recorded at FDC). For each service listed under this classification, the carrier must include the specific valuation method in effect at the date of the CAM filing by inserting either FMV or FDC next to each service listed.

“fully distributed cost” – is to be used when a carrier purchases services from an affiliate that exists solely to provide services to members of the carrier’s corporate family. In order to qualify for this classification, the services affiliate must not have any sales with outside parties.

C. VALUATION METHODS FOR THE PROVISION OF SERVICES: (cont’d)

In accordance with Part 32.27 (b), services provided between the Company and its affiliates are valued as follows. Services provided from the Company to its affiliates will be charged pursuant to tariff rate or publicly filed agreement. Absent such rates, the Company will apply a prevailing price, if applicable. Otherwise, the higher of fair market value or Telco’s fully distributed cost will be used as a floor for recording on Telco’s books, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate, may be recorded at fully distributed cost

For services purchased from an affiliate, the Company will record the tariff rate or prevailing price, if applicable. Where no prevailing price has been established, the Company will use the lower of fair market value or fully distributed cost as a ceiling for recording on Telco's books, except that the first \$500,000 of services on a service-by-service basis, per year, per affiliate may be recorded at fully distributed cost. An additional exception is that for services the Company purchases from an affiliate that exists solely to provide services to members of the corporate family, the Company may record fully distributed cost.

#### D LIST OF AFFILIATES

##### Southern New England Telecommunications Corporation (SNET HOCO) (FDC exception applies)

Southern New England Telecommunications Corporation (Holding Company) is the parent holding company of The Southern New England Telephone Company. In addition to providing executive direction, the Holding Company centrally performs corporate support functions (i.e., executive, regulatory, etc.) for all affiliates. The subsidiaries of The Southern New England Telecommunications Corporation engage in various business activities generally related to the provision of telecommunications products and services.

##### SBC Advanced Solutions, Inc. (SBC ASI)

Provides intrastate wireline communications services such as ADSL, IDSL, xDSL, frame relay, ATM, and cell relay.

##### SBC Management Services LP (SBC MSI)

(FDC exception applies.) Provides various administrative and support services for the parent company and other subsidiaries.

##### SBC Operations, Inc. (SBC SBO)

(FDC exception applies.) Provides for the planning, development, sale and merchandising of telecommunications services and products.

##### SBC Services, Inc. (SBC SBS)

(FDC exception applies.) Performs transaction processing functions including billing, payroll, accounts payable, customer remittance, fixed asset record keeping and general ledger processing.

D     LIST OF AFFILIATES (cont'd)

SBC Laboratories, Inc. (SBC Lab)

(FDC exception applies.) Involved in applications research; the preparation of general specifications for products; the testing and evaluation of manufacturers' designs and products to determine if the general specifications set by the various SBC subsidiaries are being met; and writing applications software for computers with processing systems that have been designed to be user-programmed

SBC Telecom, Inc. (SBCTI)

Provides local exchange services nationally.

Southwestern Bell Communications Services, Inc. (SBCS)

(Section 272 Affiliate) SBCS provides interexchange services.

SNET America, Inc. (SAI)

SNET America, Inc provides interexchange telecommunications services and interstate and international long-distance services through alliances with major carriers SNET America, Inc. also provides public payphone services. Also, SNET America, Inc. engages in the sale and/or lease of a full range of customer premises telecommunications equipment, maintenance and installation of inside wiring and customer premises telecommunications equipment, Prime Axxess services, and several enhanced offerings.

SNET Diversified Group, Inc. (SNET DG)

SNET Diversified Group, Inc engages in a variety of business activities including tandem switching services, customer call center operations, operator services and consulting services.

SNET Information Services, Inc.

SNET Information Services, Inc provide yellow page directory advertising and publishing SNET Information Services, Inc also engages in electronic publishing and Internet Services.



D. LIST OF AFFILIATES (cont'd)

Cingular Wireless LLC

Cingular Wireless LLC markets cellular products and services directly to end-users.

SNET Real Estate, Inc.

SNET Real Estate, Inc. engages in the acquisition and leasing of commercial real estate. SNET Real Estate Development Corporation is a wholly owned subsidiary of SNET Real Estate, Inc.

Southwestern Bell Messaging Services, Inc.

Voice messaging services provider

SBC Global Services, Inc. (SBGS)

SBGS is a wholly owned subsidiary of Ameritech furnishing telecommunications and systems integration products to customers and operates divisions which sell and service voice and data systems for business use

Ameritech Services, Inc. (ASI)  
(FDC exception applies)

ASI is jointly owned by the Ameritech Operating Companies (AOC). ASI provides the AOCs with operational support and centralized purchasing services for the AOCs that can most efficiently be delivered by a single organization.

SBC DataComm, Inc.

SBC DataComm, Inc. is a wholly owned subsidiary of Ameritech Corporation providing data network design, marketing and consulting services.

E. ASSETS AND SERVICES PROVIDED BY THE COMPANY TO AFFILIATES

This Section describes the assets and services provided by the Company to its affiliates. Exhibit V-1 identifies the affiliates which receive each of these assets and services and the terms and conditions by which the affiliates receive these transactions.

### Billing Support Services

This service provides customer billing support and collection.

### Marketing Services and Support

These services provide sales, marketing, customer care, customer collections, customer and staff support and new product development for interstate and international toll services and for telephone communications equipment and voice messaging services and other enhanced service offerings.

### Operator Services

This service provides operator services activities.

### Property Rental Services

This service provides for the renting of space in Company buildings and the rental of Company property, and associated real estate taxes.

### Subscriber List Information

This service provides White Pages listings.

### White Page Support

This service provides for the processing of notifiers from Yellow Page production, sales support and the processing of directory change requests from Yellow Pages.

### Telecommunications Services - Tariff

Telecommunications services (wholesale, interconnection agreements, intrastate toll, local exchange, access, etc.) are provided at tariffed rates

### Telecommunications Services - Cost

This service provides installation, remote testing and repair of telecommunications facilities; telecommunications-related management consulting and field and staff support functions.

F. ASSETS AND SERVICES PROVIDED TO THE COMPANY BY  
AFFILIATES

This Section identifies and describes assets and services provided to the Company from its affiliates. Exhibit V-2 identifies each of these services and the affiliate providing the service and the terms and conditions by which the Company receives these transactions.

Advertising

This service provides for the coordination of advertising production and implementation in a variety of media.

Billing Services

This service provides for the processing of customer remittances, deposit of funds into client accounts, and supply data to update customer account records.

Cellular Telephone Service

This service provides the Company with cellular telephone service and associated equipment.

Communications Equipment and Services

These services provide telephones and related materials and supplies, as well as installation, rearrangement and repair of voice and data equipment.

Corporate Governance Services

Southern New England Telecommunications Corporation as the parent Holding Company and SBC Management Services, Inc. (MSI) provide the Company with the following corporate governance services:

- Advertising
- Centralized Administrative Services
- Contract Administration
- Customer Services Support
- Executive Administration
- Financial Services
- General Accounting

Government Relations  
Insurance  
Internal Auditing  
Legal Services  
Planning  
Public Relations  
Regulatory Services  
Security Services

#### Data Processing

This service provides for computer access and services including acquisition of computer products and services from vendors and application systems development, maintenance and training.

#### Directory Services

This service provides for the white page printing, paper, transportation and delivery charges for specific exchanges.

#### Facsimile Service

This service provides the Company with facsimile service including advanced store-and-forward and broadcast features.

#### Finance Operations

This service provides accounts payable and property and cost accounting services

#### Inside Wiring

This service provides the Company with inside wiring installation and maintenance services that are provided by the Company to its employees as an employee concession.

#### Leased Space

This service provides the leasing of office space in SNET Real Estate, Inc. buildings.

F. ASSETS AND SERVICES PROVIDED TO THE COMPANY BY  
AFFILIATES (cont'd)

Marketing Services and Support

These services provide sales, marketing, customer care, customer collections, customer and staff support and new product development for interstate and international toll services and for telephone communications equipment and voice messaging services and other enhanced service offerings. Also, this service provides customer and staff support for retail units. These services also provide customer and staff support, new product development and data processing support for retail computer systems.

Material Management and Distribution

This service provides internal mail delivery; processing of purchase requests, warehousing and distribution, inventory planning, and repair administration.

Motor Vehicle Support

This service provides motor vehicle maintenance and repair.

Network and Market Planning and Direction

Services may include the planning function for the development and deployment of new network technology, products and services; product and market management, distribution channel management and development; pricing, packaging, and promotion; and competitive research and analysis

Operator Services

This service provides the Company with Operator Services activities.

Payroll Services

This service provides processing and distribution of payroll to employees, preparation of tax and wage information and maintenance of employee records.

F. ASSETS AND SERVICES PROVIDED TO THE COMPANY BY  
AFFILIATES (cont'd)

Personnel Services

These services provide various human resource activities such as employment, human resources planning including benefit administration, Equal Employment Opportunity, transfer bureau, employee relations, educational aid, training, Pioneer Program, and safety. This service also provides system development and support for human resources information systems.

Property and Maintenance Services

These services provide management of Company buildings and Company property; housekeeping services, utilities, guard service, snow removal and landscaping services; building maintenance and repairs; maintenance for building operating equipment and emergency power services.

Protocol Conversion

This service provides the Company with high speed data communications services, and validation services requiring protocol conversion.

Technology Research Support

This service provides resources to manage applied research programs, assess new technologies, advisory services and intellectual property management and consulting support.

Telecommunications Services – Cost

Transport costs for Telephone Company services, telecommunications-related management consulting and miscellaneous staff support functions are provided at FDC

Telecommunications Services- Tariff

Interstate telecommunications services are provided at tariffed rates.

F. ASSETS AND SERVICES PROVIDED TO THE COMPANY BY  
AFFILIATES (cont'd)

Teleconference Service

This service offers teleconferencing service to the Company.

Training and Development

This service provides the Company with database training for listings and directories, development of training curriculum; consulting for training programs; assessment and implementation of culture change; and provision of training courses.

G Affiliate Transactions from Telephone Company to Affiliates

V-1

Asset/Service Provided	SBC ASI (1)	SBC MSI (2)	SBC SBO (3)	SBC SBS (4)	SBCS (5)	SAI (6)	SNET DG (7)	SNET Info Svc (8)	Cingular (9)	SNET HOCO (10)	SBGS (11)	SBCTI (12)	SWB Mess- aging (13)	SBC Data- Comm (14)
<b>Tariffed Rate</b>														
Operator Services									D					
Telecommunications Services	D	D	D	D		D	D	D	D	D		D		D
<b>Prevailing Price</b>														
Billing Support Services	D				D									
<b>Services - Higher of Fair Market Value and Fully Distributed Cost</b>														
Billing Support Services (FDC)						D	D		O					
Billing Support Services (FMV)									D					
Marketing Svcs And Support (FDC)	D				D									D
Property Rental Services (FDC)/(FMV)	D	D		D		D	D		D	D	D	D	D	D
Subscriber List Information (FDC)								D						
Telecommunications Svcs (FDC)	D			D		D	D	D		D		D		
White Page Support (FDC)								D						

(1)- SBC Advanced Solutions, Inc

(2)- SBC Management Services LP (FDC exception applies)

(3)- SBC Operations, Inc (FDC exception applies)

(4)- SBC Services, Inc (FDC exception applies)

(5)- Southwestern Bell Communications Services Inc

(6)- SNET America, Inc

(7)- SNET Diversified Group, Inc

(8)- SNET Information Services, Inc

(9)- Cingular Wireless LLC

(10)- Southern New England Telecommunications, Corp (FDC exception applies)

(11)- SBC Global Services, Inc

(12)- SBC Telecom, Inc

(13)- Southwestern Bell Messaging Services, Inc

(14) - SBC DataComm, Inc

D = Daily

M = Monthly

A = Annually

W = Weekly

Q = Quarterly

O = Occasionally

See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided



## H Affiliate Transactions from Affiliate to Telephone Company

V-2

Asset/Service Provided	SBC ASI	SBC MSI	SBC SBO	SBC SBS	SBC Lab	SAI	ASI	SNET DG	SNET Info Svc	Cingular	SNET Real Estate Inc	SNET HOCO	SWB Mess- aging
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Tariffed Rate</b>													
Telecommunications Services	D					D		D					
<b>Prevailing Price</b>													
Cellular Telephone Service										D			
Communications Equip. & Svcs						D							D
Facsimile Service						D							
Inside Wiring						D							
Operator Services								D					
Protocol Conversion						D							
Telecommunications Services								D					
Teleconference Services						D							
<b>Services - Lower of Fair Market Value and Fully Distributed Cost</b>													
Advertising (FDC)		D											
Billing Services (FDC)				D						D			
Corporate Governance Svcs (FDC)		D										D	
Data Processing (FDC)				D									
Directory Svcs (FDC)									D				
Finance Operations			D	D									
Leased Space (FDC)											D	D	
Leased Space (FMV)											D		
Mktng Svcs. & Support (FDC)			D									D	

(1)- SBC Advanced Solutions, Inc.

(2)- SBC Management Services, LP (FDC exception applies)

(3)- SBC Operations, Inc. (FDC exception applies)

(4)- SBC Services, Inc. (FDC exception applies)

(5)- SBC Laboratories, Inc. (FDC exception applies)

(6)- SNET America, Inc.

(7)- Ameritech Services, Inc. (FDC exception applies)

(8)- SNET Diversified Group, Inc.

(9)- SNET Information Services, Inc.

(10)- Cingular Wireless LLC

(11)- SNET Real Estate, Inc.

(12)- Southern New England Telecommunications, Corp. (FDC exception applies)

(13)- Southwestern Bell Messaging Services, Inc.

D = Daily

M = Monthly

A = Annually

W = Weekly

Q = Quarterly

O = Occasionally

<sup>14</sup> See "List of Assets and Services Provided" appearing earlier in Section V for a more detailed description of assets and services provided